

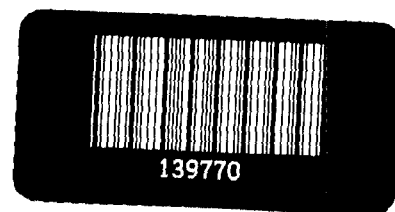
GAO

Report to the Speaker of the House of
Representatives and to the Librarian of
Congress

September 1989

FINANCIAL AUDIT

Civic Achievement Award Program Financial Statements for September 30, 1988 and 1987



Comptroller General
of the United States

B-236316

September 26, 1989

To the Speaker of the House of Representatives
and the Librarian of Congress

This report presents the results of our review of the independent certified public accountants' audits of the financial statements of the Civic Achievement Award Program in Honor of the Office of Speaker of the House of Representatives for fiscal year 1988 and for the period from July 1, 1987 (initial date of eligibility for federal funding), through September 30, 1987. In the auditors' opinion, the program's statements are fairly presented, in all material respects, in accordance with generally accepted accounting principles. We completed our review on June 30, 1989.

Public Law 100-158 established the program which is administered by the Close Up Foundation and funded through the Library of Congress. The program was designed to inspire the learning of American history, government, geography, economics, and current events in the fifth through eighth grades and to recognize achievement in civic literacy by students, classes, and schools throughout the nation.

The Close Up Foundation contracted with an independent certified public accounting firm, KPMG Peat Marwick, to perform financial audits of the program's 1988 and 1987 financial statements. Public Law 100-158 requires the Comptroller General to audit the program each year. To fulfill our audit responsibilities, avoid duplication and unnecessary expense, and make the most efficient use of our available resources, we reviewed the independent auditors' work and report.

In contracting for the audits, the Close Up Foundation did not request the auditors to prepare reports on internal accounting controls and compliance with laws and regulations, as required by generally accepted government auditing standards. However, we found nothing to indicate that the auditors' opinion on the financial statements for fiscal year 1988 and the period from July 1, 1987, through September 30, 1987, is inappropriate or cannot be relied on.

We conducted our review of the auditors' work in accordance with generally accepted government auditing standards. To determine the reasonableness of the auditors' work and the extent to which we could rely on it, we

- reviewed the auditors' approach and planning of the audits;
- evaluated the qualifications and independence of the audit staff;
- reviewed the financial statements and auditors' report to evaluate compliance with generally accepted accounting principles and applicable professional standards; and
- reviewed and tested the auditors' working papers to determine (1) the nature, timing, and extent of the audit work performed, (2) the extent of audit quality control methods the auditors used, and (3) whether the evidence in the working papers supported the auditors' opinion on the financial statements.

In the opinion of KPMG Peat Marwick, the program's financial statements present fairly, in all material respects, its financial position as of September 30, 1988 and 1987, and the results of its operations for the year ended September 30, 1988, and the period from July 1, 1987, through September 30, 1987, in conformity with generally accepted accounting principles.

KPMG Peat Marwick's contract with the Close Up Foundation stipulated that the audits be conducted in accordance with generally accepted auditing standards, rather than generally accepted government auditing standards. While both standards require a study and evaluation of internal accounting controls, the government standards also require a report on the review of internal accounting controls and a report on compliance with laws and regulations which can materially affect the financial statements.

At our request, the Foundation has agreed that future audits of the Civic Achievement Award Program's financial statements will be made in accordance with generally accepted government auditing standards, beginning with the fiscal year ending September 30, 1989.

Although the omission of reports on internal accounting controls and compliance with laws and regulations was not in accordance with generally accepted government auditing standards, we found nothing to indicate that KPMG Peat Marwick's opinion on the program's financial statements for fiscal year 1988 and the period from July 1, 1987, through September 30, 1987, is inappropriate or cannot be relied on. We believe that the financial statements, together with KPMG Peat Marwick's opinion and our review of that work, provide the Speaker and the Librarian with a dependable basis for evaluating the program's financial condition and results of operations. This report presents the program's financial statements and the auditors' opinion thereon.

We are sending copies of this report to the President and the Board of Directors of the Close Up Foundation, the Chairman of the Committee on House Administration, the Chairman of the Subcommittee on Libraries and Memorials of the Committee on House Administration, and the Chairman of the Senate Committee on Rules and Administration.

A handwritten signature in cursive script, appearing to read "Charles A. Bowsher".

Charles A. Bowsher
Comptroller General
of the United States

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Auditors' Opinion

KPMG Peat Marwick

Certified Public Accountants

Peat Marwick Main & Co.
2001 M Street, N.W.
Washington, DC 20036


Independent Auditors' Report

The Board of Directors
Close Up Foundation:

We have audited the accompanying statements of assets and liabilities of the Civic Achievement Award Program in Honor of the Office of Speaker of the House of Representatives conducted by the Close Up Foundation as of September 30, 1988 and 1987, and the related statements of support and expenses for the year ended September 30, 1988 and the period from July 1, 1987 (date of inception) through September 30, 1987. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in note 1, the financial statements being presented are only for the Civic Achievement Award Program referred to above and do not include the other assets, liabilities, fund balances, revenues, expenses and changes in fund balances of Close Up Foundation recorded in its financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position of Close Up Foundation as of September 30, 1988 and 1987, or its results of operations for the year ended September 30, 1988 and the period from July 1, 1987 through September 30, 1987 in conformity with generally accepted accounting principles.

 Member Firm of
Klynveld Peat Marwick Goerdeler

Auditors' Opinion

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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Civic Achievement Award Program in Honor of the Office of Speaker of the House of Representatives conducted by the Close Up Foundation at September 30, 1988 and 1987, and the results of its operations for the year ended September 30, 1988 and the period from July 1, 1987 (date of inception) through September 30, 1987, in conformity with generally accepted accounting principles.

Peat Marwick Main & Co.

April 7, 1989

Financial Statements

Statements of Assets and Liabilities

September 30, 1988 and 1987

<u>Assets</u>	<u>1988</u>	<u>1987</u>
Support funds receivable	\$ <u>580,734</u>	<u>7,815</u>
<u>Liabilities</u>		
Obligation for undelivered goods	12,510	-
Due to Close Up Foundation general operating funds	568,224	7,815
Commitments (note 3)		
	\$ <u>580,734</u>	<u>7,815</u>

See accompanying notes to financial statements.

Statements of Support and Expenses

For the year ended September 30, 1988
and the period from July 1, 1987
(date of inception) through September 30, 1987

	1988	1987
Support	\$ 572,919	7,815
Expenses:		
Salaries and fringe benefits	141,553	-
Telephone, postage, supplies and printing	71,358	-
Professional services	78,123	-
Travel	23,291	-
Office rent	26,061	6,513
Public information services	10,366	-
Capital expenditures	140,903	-
Other support services	<u>9,261</u>	<u>-</u>
	500,916	6,513
Indirect costs	<u>72,003</u>	<u>1,302</u>
	<u>572,919</u>	<u>7,815</u>
Excess of support over expenses	\$ <u>-</u>	<u>-</u>

See accompanying notes to financial statements.

Notes to Financial Statements

September 30, 1988 and 1987

(1) Organization

Close Up Foundation (Foundation) is a nonprofit, nonstock corporation organized in June 1971 to foster a better understanding and appreciation of government by conducting and sponsoring participation in government-related education programs.

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is not a private foundation and donations to the Foundation are deductible by a donor as charitable contributions for federal income tax purposes.

In 1987, Congress authorized the Foundation to establish and conduct the Civic Achievement Award Program in Honor of the Office of Speaker of the House of Representatives (CAAP). CAAP has been designed to improve the level of civic literacy of American students in the 5th through 8th grades.

CAAP is funded through an annual appropriation from the U.S. Congress with the funds being administered by the Librarian of Congress.

(2) Summary of Significant Accounting Policies

(a) Financial Statement Presentation

The financial statements being presented are only for the Foundation's CAAP and do not include the other assets, liabilities, fund balance, revenues, expenses and changes in fund balance of the Foundation.

(b) Recognition of Support

Support to be received from the Librarian of Congress is recognized at the lesser of the amount appropriated by Congress or allowable expenses incurred.

(Continued)

(c) Recognition of Expenses

Due to the cost reimbursement nature of the Congressional appropriation to support CAAP, expenses are recognized as follows:

- . Direct costs of CAAP are recognized as expenses when an obligation to incur the cost is established, in accordance with instructions received from the budget office of the Librarian of Congress. Obligations for undelivered goods amounted to \$12,510 of publication costs at September 30, 1988.
- . Capital expenditures are expensed rather than capitalized as the goods are not owned by CAAP or the Foundation. Rather, ownership and possession of the goods is assumed to revert to the U.S. government upon completion of CAAP.
- . Indirect costs allocated to CAAP by the Foundation are based upon the Foundation's ratio of allowable indirect costs to direct program costs.
- . Program expenses are subject to review by the U.S. government. Therefore, the recorded amounts of direct and indirect expenses, as well as the related recognized support, are potentially subject to adjustment. Management believes that no provisions for such adjustments are required in the financial statements.

(d) Advances from the Foundation's General Operating Funds

The Foundation is reimbursed by the Librarian of Congress upon request for costs incurred in developing and conducting CAAP. The Foundation financially supports the activities of CAAP with its general operating funds during the program year until reimbursement is received. Reimbursement of \$580,734 was received in October 1988.

(3) Lease Commitment

The Foundation has leased office space for the use of personnel working on CAAP. The approximate future minimum annual rental commitments for this office space at September 30, 1988 follows:

Years ending September 30.

1989	\$ 37,000
1990	46,000
1991	<u>42,000</u>

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